

ENTERPRISE ZONE ADMINISTRATION IN OREGON: A STRUCTURAL ANALYSIS

by

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Enterprise zones are an economic development policy adopted by many local governments in Oregon and elsewhere. The management structures used to implement enterprise zones are illustrative of operational dynamics of public-private partnerships used for economic development purposes.

This study utilizes interviews of local economic development actors and government document research to assess types and levels of partnership between each city and its development non-profit. This qualitative analysis is aimed at discovering similarities and differences in how cities execute enterprise zone management and how these discoveries fit in the context of public administration literature. Aspects of each cities partnership are explored.

Most interview subjects agree on the importance of enterprise zones and the use of partnership to promote economic development, but there are significant operational differences among the cities which reveal a need for ongoing assessment of management structure and partnership roles.

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CHAPTER I

INTRODUCTION

Local Economic Development

In addition to the responsibilities of local governments to provide for the health and welfare of its citizens through public safety, sanitation, and other services, an expectation arose in the latter half of the twentieth century that city governments should attempt to facilitate employment growth and business health. In fact, much effort on the part of local governments has been expended in pursuit of economic development (Rubin, 1986; Green, 1996).

This pursuit entails at minimum some cooperation between city officials and businesses to identify needs and efficiently implement programs. Often such partnerships do much more and have in many cases evolved into regional public-private organizations whose central purpose is to recruit new business investment and promote business expansion. These local development organizations often assist in implementing public economic policy.

A body of research has analyzed how local governments arrange for economic development with partnerships (Agranoff, 1998; Feiock, 2004). Partnerships may take the form of regional coalitions of mixed public and private partners, two-party agreements, or private corporations contracted to administer certain programs. Participants may include cities, counties, chambers of commerce, non-profit economic development corporations, and regional business marketing organizations jointly sponsored by local governments.

Enterprise Zones

Local development organizations often implement or assist in implementing policies, including incentives, loans, infrastructure investment, labor development programs, etc. The present study examines the implementation of a policy used frequently across the United States and Oregon, that of enterprise zones.

Enterprise zones in Oregon are aimed at reducing start-up and expansion costs to industries by exempting taxes in specific geographic areas targeted for the promotion of traded-sector industry. State legislation empowers municipalities to sponsor enterprise zones, establishes statutes that limit their applicability, and leaves day-to-day management decisions to the local jurisdictions.

Each jurisdiction has discretion as to how to administer certain aspects of the zone, most importantly handling initial inquiries from potential business applicants and guiding eligible businesses through the process. Who assumes that role and how these duties are shared between public and private partners is a central question whose answer reflects both administrative and political aspects of the partnership between the city and local development organization.

An analysis of the differences among several cities can reveal functional contrasts that will be useful to public administrators interested in improving local partnerships whose aim is to promote economic development. It will furthermore better flesh out themes from the literature regarding partnership dynamics between governmental and non-governmental agencies.

This qualitative study uses five Oregon cities as subjects of an examination of administrative approaches to enterprise zone management - Medford, Salem, Eugene, Springfield, and Corvallis. In addition to each being a sponsoring jurisdiction of an Oregon urban enterprise zone, they all participate in local development organizations to assist their economic development efforts. The five comprise the entirety of Oregon urban enterprise zones outside the Portland metropolitan area.

Research Purpose

This study will describe the implementation of enterprise zone policy in these cities and how the local development organizations and local governments interact. Roles and perceptions of key players will be examined. Similarities and differences among the five subject cities will be explored with the purpose of discovering to what degree implementation structure reflects theories presented in the literature and whether intentionality on the part of local government plays a role in management arrangements. Further research is suggested.

CHAPTER II

LITERATURE REVIEW

Local Economic Development Research

Economic development strategies employed by local governments have been the subject of a variety of research agendas. These can be broadly classed into three groups: studies of the effectiveness of local economic development policies; studies examining factors that give rise to particular local governments' array of local economic development policies; and studies of regional economic development partnerships as increasingly important factors in policy adoption and implementation (Hammer and Green, 1996; Olberding, 2002).

While the first group, economic impact analysis, represents a large portion of policy analysis research, especially with regard to enterprise zones, it scarcely addresses the management arrangements at question here. The second group, which includes investigations of why certain kinds of cities adopt certain policies, or what factors influence policy implementation schemes, comes a bit closer to the topic of the current study and will be briefly addressed in order to highlight the need for further qualitative analysis.

Finally, studies of development partnerships, and those of partnership in general, will be more extensively discussed and further analyzed according to the explanatory models employed in the literature. An assessment of the applicability of these models to the current study is taken up in detail in Chapter VI. Since the

purpose of the analysis at hand is to discover meaningful differences between several cities' implementation of enterprise zones through their relationships with local development organizations, the hypotheses from this category of literature are directly relevant and offer a foundation for the analysis which is lacking in other literature. In particular, I review the framework suggested by Brinkerhoff (2002) in her study of the dimensions of partnership as a starting place for describing the qualities of city – LDO relations.

Policy Arrays

Research analyzing the linkage between the array of policies jurisdictions adopt and how they organize growth promotion have included factors such as the number of economic development mechanisms cities employ and their associated governmental forms (Feiock and Kim, 2000), and to what extent city size and funding mechanisms influence where in government hierarchy coordination occurs (Fleischmann and Green, 1991). These approaches are quantitative but fall short of capturing the full measure of an administrative structure's bearing on policy implementation.

Certain independent variables used in these studies are binary or uncontroversial, for example whether or not a given city utilizes a certain economic development tool or the amount of a certain business subsidy. But frequently these quantitative approaches ultimately rely either on a qualitative assessment of an organization's structure ("partnership" versus "collaboration", for example) or they may ignore subtle components affecting a variable, for example whether an adopted

policy is supported by actual government resources (Feiock and Kim, 2000). Hall's study of development agencies in Kentucky (2008) relied on funding amounts to discern differences in the relative success of different agencies, but the research findings and conclusions pointed toward the need for a deeper analysis of management type, relations between economic development professionals, and other determinants of organizational capacity.

The literature on such functional characteristics of local and regional development structures often utilizes survey data. McGuire (2000), Fleischmann (1992) and Crowe (2007) all examine self-reported data from American municipalities to discover differences and similarities in how policies are adopted, implemented and managed to promote economic development. Rather than draw conclusions from numerical analysis, these studies formulate or apply theories of administration to explain variations in administrative arrangements for growth promotion.

One administrative arrangement, the frequency of which has increased dramatically over the past thirty years (Crowe, 2007), is the local development organization (LDO). LDOs are widespread nationally and exist in each of the five cities chosen for this study. In order to better understand the dynamics at play in such partnerships, we can look both to the literature on partnerships generally and that which addresses LDOs in particular. Theories employed in these studies are reviewed here.

Agency-centered analysis

One class of theories distinguishes between structural factors, which are those stemming from broad economic and political contexts, and agency factors, which focus on the position and roles of professionals (Hammer, 1996). In the context of administration of local growth promotion, the focus of agency-centered analyses has been the municipal economic development practitioner. This could be an urban planner, business assistance professional, or anyone employed in the executive or a line department whose role is to develop business growth and employment opportunities. This practitioner is typically regarded as the embodiment of a city's growth promotion values and policies.

The past few decades of public administration literature has widely asserted that public managers increasingly act less like bureaucrats and departmental functionaries and more like inter-agency and inter-jurisdictional coordinators (Agranoff and McGuire, 1998). A shift has occurred from strictly hierarchical governmental execution of policy to more flexible, interactive problem-solving and innovation stemming from trends of reduction in federal government support, increased diversity in policy creation, and the growth of reliance on non-governmental partnerships. Often referred to as the "New Public Management" framework, this view sees public management through a cooperative lens (Lynn 1998; Bingham, 2005).

With regard to economic development practice, this theme has resulted in analysis of the ways in which government practitioners work in diverse, non-linear

arrangements with a variety of public, private, and non-profit sector players to promote job and income growth. Studies of regional government, multi-jurisdiction partnerships, collaboration and social networks are all relevant to describing the nature and function of local economic development organizations.

Collaboration, Networks and Partnerships

The concept of collaboration is one that has received much attention (McGuire, 2006). It is often recognized as a phenomenon integral to New Public Management, one that requires innovative management techniques. In addition to explanations for the emergence of the new public management roles for practitioners, the increase in collaborative public management is credited to adjustments due to changing conditions in this “information age” and the need for solving problems only recently expected of government, such as health care, poverty and natural disasters.

One shortcoming in theories of cooperation and interdependence between government and non-government agencies is the need to define categories of co-operation that are narrow enough to capture meaningful characteristics in methods of policy implementation and broad enough to include enough cases to provide a useful framework for further analysis.

In collaboration theory this challenge is exemplified by McGuire (2000) and his definition of collaboration as “a concept that describes the process of facilitating and operating multiorganizational arrangements for solving problems that cannot be achieved, or achieved easily, by single organizations.” This umbrella could

conceivably cover two-party agreements about revenue sharing on the narrow extreme and regional frameworks established by many jurisdictions to implement collections of policies on the broad extreme of the spectrum. To distinguish among operational differences in local economic development partnerships, a finer description is needed.

One concept employed to attain a finer level of description of multi-party cooperation is that of social networks. In the context of local government economic development, social network theory has been used to explain how and why inter-governmental partnerships form (Crowe, 2007). In this explanation, it is the strength and density of ties between entities, contrasted with their numerical extent, which offers explanatory power. Crowe found that a high level of cohesiveness and ties that “bind” similar interest groups in contrast to those that “bridge” to more disparate or administratively separated organizations is associated with a wider variety of economic development strategies within a community.

A related finding is that looser ties among agencies involved in local economic development are associated with industrial development and external firm recruitment policies and tighter ties are correlated with local self-development projects. It has been noted elsewhere, however, that it can be difficult to separate the effects of network density from those of resource levels allocated to particular policies and programs (Green and Haines, 2002).

Finally, a third method of characterization of joint effort is that of partnerships. Brinkerhoff, in her 2002 analysis of government-nonprofit partnerships, offers a framework defined by two dimensions – mutuality and

organizational identity. These dimensions establish a useful scale along which a partnership can be placed.

Mutuality is the roughly equal sharing of opportunities to engage in activities beneficial to each partner. This opportunity is defined both by an organization's ability to utilize its own particular capacities and resources, and also to defend its particular advantages. Mutuality enables partners to interact with equal legitimacy. It also implies that each partner is committed to the partnership's goals and accepts close interdependence in the fulfillment of those goals.

Organizational identity refers to the particular capacities and characteristics of an organization that are themselves desirable and useful to the partnership. These characteristics include the core values of the organization and the promise that those values will endure as part of the organization. An organization's unique skills and capabilities, such as its stakeholders or, in the case of cities, its legal authority, contribute to the enduring identity.

The two dimensions of partnership are subjective, and can defy measurement (Brinkerhoff, 2002). But as a relative indicator of commitment, mutual respect, and self-recognition of values and capacity, mutuality and organizational identity have application in analyzing relationships between cities and their LDO partners.

The Context of Inter-agency Cooperation

As inter-agency relations are increasingly relied upon to describe the activities of local governments in economic development, the previously highlighted dichotomy between agency-centered analyses and structural analyses begins to

weaken. That is, the context of management activities itself begins to include the collaborations of government in addition to the wider economic and political environment. Understanding partnership dynamics is as contextual as understanding how factors such as tax revenue, form of government, or bureaucracy size influence government actions.

In attempting to understand the practical dimensions of local government partnerships, those that affect their creation and operation, a line of research has adopted the theory of transaction costs. Based on the Coase theorem transaction cost analysis states that if costs are low, rational parties will engage in bargaining to reach an optimum efficiency. This theory was originally applied to the activities of firms. In the case of interlocal relations, transaction cost analysis includes factors such as the costs of bargaining, information-gathering, dividing benefits and enforcing agreements.

Krueger and McGuire (2005) analyze variables such as cities' form of government, geographical characteristics, and market factors to establish which are related to the likelihood that local governments will cooperate with each other. They find that more populous cities, with city manager form of government and located in homogeneous market areas are more likely to experience lower transaction costs in initiating cooperative efforts with other cities. While these findings rely on a purely financial measure of partnership extent, and they are limited to interactions between governments and not private partners, they outline a promising approach to identifying functional aspects of cooperation.

Feiock et al., (2009) similarly develop this idea focusing on joint ventures for economic development. The key perspective here is that collaborations form not simply when benefits of cooperation are possible, but more precisely when the costs of sharing information, unifying political interests within bargaining parties, and dividing the gains can be overcome. This “institutional collective action” is not a specific kind of arrangement or rationale for coordination but rather any occasion in which joint gains outweigh costs of initiating the collaboration.

An interesting precedent to this recent work is from Riposa and Andranovich (1991), who look at a single city to identify barriers and constraints to the capacity to create a comprehensive economic development plan and associated organization for Lubbock, Texas. As background, the authors outline broad national trends in economic development policy in the last two decades of the twentieth century that parallel and complement the trends identified as precursors to New Public Management and the rise of collaboration – a reduction in federal support for cities’ economic development and increased emphasis on local coordination to better compete for jobs and industry.

The authors find the attitudes of key players, despite being nominally identical in their interest in job creation, diverged sufficiently with regard to the advantages of cooperation to undermine joint efforts. This divergence was exacerbated by the formation of several organizations with similar missions but who were competitive for resources rather than cooperative. This research can be viewed as consistent with a transaction cost approach, as Riposa identifies barriers to information-sharing and failure to reach agreements on benefits-sharing as key to preventing

successful cooperation. This research also highlights findings elsewhere (Olberding, 2002b) that emphasize the interpersonal and cultural limitations on initiating joint economic development programs.

Local Development Organizations

Clarke (1998) points out that the transaction approach raises questions of government versus governance. Governance emphasizes the expanding scope of actors involved in local affairs and the capacity for government officials to solve problems of transactions costs among diverse actors. The dual challenge of reducing transaction costs to promote cooperation that will lead to economic growth and managing the complex networks of local stakeholders leads to the use of partnerships (Clarke, 1998).

This assertion mirrors research on the growth and prevalence of local and regional organizations whose mission is to promote economic development (Olberding, 2002a; McGuire, 2000). The extent and nature of these organizations has been researched (Rubin, 1986; Hall, 2008; Crowe, 2007; Green, 2002). Local Development Organizations (LDOs) may take various forms, though non-profit corporations appear to most popular (Olberding, 2002a).

One interesting study that does attempt to measure extent of agency that is primarily governmental versus predominantly shared through partnership is Blair's (2002) review of how state enterprise zone policies are implemented by local partnerships formed to promote economic development. The focus here is on what direct government action is involved in implementing enterprise zone policy

through partnerships and networks, and how this implementation fits a “policy tools” framework for understanding service delivery.

While this study was not on a fine enough scale to look at the operations of particular LDOs, the findings do, however, shed interesting light on the range of participation by private and public entities in implementing enterprise zone policy. Some state’s index score reflected very little government action; others showed high direct government action, and other showed a balance of the two.

The evolving context for local development partnerships, the prevalence of local development organizations, and the lack of full understanding of how these actually function in policy implementation all point to a need for a more in-depth, qualitative analysis. The research would benefit from an evaluation of specific cases of LDO implementation of an economic development policy and review of the literature’s relevance in these cases.

CHAPTER III

ENTERPRISE ZONES

What is an Enterprise Zone?

An Enterprise Zone is geographic area targeted for facilitated business expansion or establishment through some form of financial or regulatory incentive provided by a state or local government. The idea for such incentives was born in England in the early 1980's and found support in the United States during the Reagan administration, though federal legislation was not passed at this time. (The Clinton Administration did create "Empowerment Zones" 1994 which function differently than enterprise zones in that qualifying areas were eligible for federal grants as opposed to individual businesses qualifying for relief.) In the meantime, however, interest moved to the state level, and by 2002, forty-three states had adopted enterprise zone legislation over the preceding twenty-five years (Blair, 2002).

Each state employs a unique array of incentives such as tax relief, job training support, regulatory relief, or some combination thereof. The most popular technique is sales, income and property tax exemptions. In Oregon, only property tax relief is available to firms who locate or expand in an enterprise zone.

Enterprise Zones in Oregon

Oregon's program was begun in 1985 with legislation that allowed for the creation of up to thirty enterprise zones statewide (Oregon, 2006). An enterprise zone can be either rural or urban, and may be sponsored by a city, county, port or

tribe. Any traded-sector business, that is a business whose products and services are consumed by other businesses as opposed to individual consumers, which relocates from a minimum distance from the zone to within the boundaries of zone, or an existing business that expands within the zone, is eligible for a 100% property tax exemption for at least three years with an additional two years possible at the discretion of the sponsoring jurisdiction (OECD, 2008). According to statute, at least one permanent job must be created or at least twenty-five million dollars in new capital expenditure must be made to qualify.

The specific exemptions, business qualifications, zone formation requirements, levels of local government flexibility and rules pertaining to zone termination and renewal have been amended at the state level many times over the twenty-four year history of the program, as have overall parameters of the program such as number of zones (Oregon, 2006). The implementation of the policy is a combination of the prescriptive state requirements embodied in statute and certain areas of latitude local governments have when applying for and renewing their particular enterprise zones.

Enterprise zones were originally promoted as primarily a means to attract outside industry, but over the years has begun to emphasize providing opportunities for existing local business to reduce the cost of expansion. Of the 133 projects eligible for exemption in the 2007-2008 tax year, only 36 were new to an enterprise zone. In that same year the value of exempted property totaled 1.4 billion dollars which resulted in a property tax revenue loss total of 34.7 million dollars (Oregon, 2009).

Local Government Roles in Enterprise Zone Management

Areas of local government latitude include the size and shape of an enterprise zone, whether hospitality businesses will be included, whether businesses will be eligible for waivers of certain employment requirements, whether businesses are eligible for a two-year extension on the base three year granted by the state, and whether businesses who meet certain “public benefit” criteria will be granted full exemption in contrast to those which do not. Example of public benefit criteria are locally defined sustainability measures, whether new employee benefits are better than the local average, or business relocation or expansion which redevelops a brownfield site.

Enterprise zones can be jointly sponsored when proposed boundaries of the zone overlap more than one political boundary. Eugene’s zone, for example, includes industrial land outside the city limits but inside the Urban Growth Boundary, necessitating joint sponsorship with Lane County. This requires county government to pass a resolution affirming Eugene’s interest and sponsorship of the zone (Special Districts, 2007).

Local governments also assign responsibility for zone management. A zone manager must be identified and listed with the state. Some jurisdictions have more than one manager, even for individual enterprise zones. There is no prescription in the statute that the zone manager need occupy any particular kind of office. This gives localities discretion as to where they house management services. Statute also

does not list duties of the zone manager, other to imply that zones shall be managed in accordance with all relevant statutes (Oregon, 2009).

In addition, the marketing, communication and processing of applications is handled by the particular local arrangement associated with each zone. County assessors are responsible for issuing the exemption and reporting to the state on new job data. The state reviews local government applications to establish and renew enterprise zones, which have a life of ten years, and creates forms and provides technical assistance. Today there are fifty-nine enterprise zones in Oregon - forty-eight rural zones and eleven urban (Oregon, 2003).

CHAPTER IV

METHODOLOGY

The purpose of this study is to analyze the dynamics and structure of the implementation of enterprise zones for five local governments in Oregon. This requires the discovery of information not available through documentation. Interviews of three key players from each jurisdiction were conducted. Additional contextual and historical information was sought through research of government and organizational websites, public meeting records, and enterprise zone-related documents held by the State of Oregon.

Interviews

Thirteen interviews were conducted (Appendix A). For each of the five jurisdictions studied a representative from each of three categories was contacted; an employee of the local development organization, a municipal government employee involved in management of the enterprise zone, and a private sector member of the local development organization's board of directors. For Eugene and Springfield, a total of four interviews were conducted; one each with a municipal employee, one with the local development organization director, and one with a private industry representative.

These recorded telephone interviews were designed to elicit information, perceptions and attitudes about management of the interviewee's local enterprise

zone and about local economic development activities in general. An interview guide with general questions was employed for each interview (Appendix B), but the open-ended nature of certain questions and the inquiry in general resulted in some variance in question phrasing and timing.

Interview recordings were maintained by the researcher and re-played as necessary to ensure accurate transcription. Interview notes were cross-referenced with each locality's written and website information to verify factual accuracy. Six interviewees received follow-up email inquiries from the researcher to clarify issues that the original interview did not address but which emerged over the course of subsequent interviews and records research.

Documentation

Data on enterprise zones in Oregon in general as well as these which were the focus of this study was gathered with assistance from the Business Incentives Coordinator in the Oregon Economic and Community Development Department. This information included spreadsheets with timelines, maps, and demographic information about Oregon's enterprise zones which provided good quick reference comparisons. The coordinator also provided me with information on Oregon's enterprise zone history.

Background information for each city's process for adopting and implementing the enterprise zone was sought for each city by locating meeting minutes, agendas and memoranda for city councils and economic development committees, when available. These documents were searched for mention of issues

related to management of proposed enterprise zones or proposed renewals of existing zones.

Limitations

Information from the interviews is limited by the lack of direct experience among most interviewees both in the formative stages of the local development organization and when enterprise zone policy was first implemented. The researcher assumes that these times were when initial decisions about management structure were made. Only five of the thirteen were involved during these periods. In addition, interview responses are subject to recall bias for those past events discussed by interviewees. Participants also answered questions about their own organizations which may have resulted in incomplete or slanted responses.

Limitations in the historical documents research for each city's adoption of enterprise zones stem from the circumscribed nature of agendas and minutes documents which do not generally capture informal or briefly mentioned issues. If discussions among key players occurred outside the recognized framework and formal proceedings of council and commission meetings, they would not be captured in the researched materials.

Additionally, finding all relevant documents was simply not possible, as most jurisdictions do not keep older written material handy and were unwilling, even for a fee, to spend time sifting through archives. While it is anticipated that public records law could have been invoked in order to compel acquisition of relevant

documents, the expense involved and the strength of information gathered indicated that such measures were not warranted.

Finally, the limited number of cases and interviews constrains conclusions which can be drawn about city-LDO relationships in general, whether in Oregon or elsewhere.

CHAPTER V

FINDINGS

This chapter discusses the information gleaned from document research and the telephone interviews. First, results from the examination of government documents will be explained and placed in the context of this paper's purpose of discovering to what extent enterprise zone implementation schemes are intentionally planned at the time of policy adoption. Second, results from the interviews pertaining to the character and function of the LDOs in the subject city and their relationship with the city will be reported. This includes LDO profiles, history of formation, functional relations, and specifics of how the cities and LDOs interact.

Finally, actual operations of zone management will be described along with interviewee responses about their source of job satisfaction as background to discovering any differences in perceptions among players.

Key findings are the extensive role of LDOs, important functional differences in board activity and agreements between partner cities, and perceptions of closeness among LDO participants. The lack of apparent planning for zone management at the political level during periods of enterprise zone establishment is also established.

Enterprise Zone Management Planning

Findings from research of government documents from the time of each city's initial adoption of enterprise zones are minimal. The complete absence of references to administrative aspects of enterprise zones found in agendas, minutes and committee meeting information leads to the conclusion that elected bodies were not interested and engaged in decision-making about how the zones would be managed.

It must be noted that acquisition of the desired documents proved much more challenging than anticipated. Enterprise zones were adopted over twenty years ago in three of the five cities studied, and in some cases agendas and minutes from public meetings were simply not available.

In all, minutes and agenda packets from nine meetings from the five cities were reviewed for mention of aspects of the proposed enterprise zone related to its implementation. In no case was zone management mentioned. No questions were raised about roles of the parties with regard to implementation of the policy, marketing, or contractual relationships between the cities and local economic development organizations. Supplemental documents, such as committee reports and strategy documents similarly showed no such considerations (Appendix C.)

Most of the comments found, whether by elected officials, advisory committees, or staff, related to the potential economic impacts of the proposed zone, features of the enterprise zone program such as the possible two-year local extension on tax exemption, or the geographic boundaries of the proposed zone in

each jurisdiction. For Corvallis - which had the most accessible documents due the recent adoption of its zone - much discussion centered on the proposed public benefit criteria. While this is an area of local discretion within the enterprise zone program, it does not bear on how the zone is managed.

The lack of discussion among elected leaders and upper-level management as part of the local enterprise zone management process was confirmed through information gleaned from this study's interviews, as well. Most of the interview subjects were not working in their current capacities when the zones were first adopted and they had no second-hand knowledge of such conversations occurring.

The public manager interviewed from Corvallis, where the enterprise zone was adopted only one year ago, did mention that he participated in conversations about who would be the zone manager, but he did not recall that they were a significant component of the decision-making process. These conversations took place among staff members themselves and did not rise to the level of deliberation at meetings of economic development advisory committees or elected officials.

Local Development Organizations

In addition to the similarities among the subject cities which recommended them as suitable for the comparison which is the purpose of this research – presence of urban enterprise zone, location near Interstate 5, cities outside of the Portland metro area – during the research it became apparent that a key point of comparison was the presence of a local development organization (LDO) and its direct involvement in implementation of the enterprise zone. The kind of relationship

between the public practitioner and the LDO, and the extent of policy implementation realized through that relationship is a benchmark for assessing dimensions of economic development management. The relationships between the LDO and the city's economic development staff is the framework in which the current evaluation takes place. Therefore, in order to meaningfully compare the five cities we must describe their LDOs.

Commonalities among Subject Local Development Organizations

Several overall similarities are easy to identify. Excepting Corvallis, each city has an LDO formed in the 1980's, and all of these LDOs are engaged in marketing, business assistance and information sharing. They all deal with enterprise zones in some capacity and cite the presence of the local urban zone as central feature of their business recruitment and retention strategies.

They all have boards of directors consisting of some mix of business and public agency and government representation, and all are private non-profits. All interviewees considered the relationship between government, private industry and the LDO to be a partnership of some description and to be important to the everyday functioning of economic development activities in their area.

Underlying these general similarities are several structural and relationship differences. The functional relationships and activities in each city vary and this is reflected in both the interviewee's answers and also the history of each LDO and its relationship with city government. What follows are descriptions of each LDO and

the characteristics that relate to how each functions in partnerships. These descriptions are further summarized in Table 5.1 on page 41.

Local Development Organization Profiles

SOUTHERN OREGON REGIONAL DEVELOPMENT INCORPORATED

Southern Oregon Regional Development Incorporated (SOREDI) encompasses more function and activity than the other three LDOs researched. Arising from a history of acting as a state and federally recognized Economic Development District, SOREDI serves not only as the regional business marketing support agency but also executes some planning functions that elsewhere in Oregon might be performed by a council of governments. It was founded in 1987 with substantial support from neighboring jurisdictions and several corporations, particularly utilities.

SOREDI is governed to some extent by federal law as to how its managing board is composed (it must be at least 51% public agency represented). Board activities are fairly high-level as the director and staff handle the operation of the organization and have some discretion as to priority setting. According to interviewees staff has the full trust of members. Their offices are co-located with four other economic development-related agencies, state and local.

The executive director reports that SOREDI is funded by contributions from local cities and counties as well as private dues and fees from business. They receive no funds specifically allocated to managing Medford's EZ, although the executive director is the designated zone manager for the Medford urban EZ, as

well as two other regional rural EZ's. There is no explicit contract for SOREDI outlining duties of the zone manager.

SOREDI shares the role as initial contact for EZ applicants in Medford with Medford's economic development director. The relationship between the city and SOREDI is characterized as very tight by all interviewees. Although Medford's is one of the state's most active zones according to the city's economic development staffer, the time consumed by SOREDI in administering the zone is not substantial. SOREDI participants do not aggressively advocate for economic development policies, according to the interviewees primarily due to the high level of agreement among all parties on goals and priorities.

STRATEGIC ECONOMIC DEVELOPMENT CORPORATION

The enterprise zone manager for the City of Salem is the executive director of Strategic Economic Development Corporation (SEDCOR). SEDCOR was founded in 1983 by business interests, and at the time of the adoption of Salem's enterprise zone in 1987 was not yet sufficiently established to provide management support to the new enterprise zone program. Salem's economic development officer was originally designated as the zone manager, and this shifted to SEDCOR some years later.

SEDCOR issues an annual submittal to the city outlining its proposed economic development activities, one subset of which is zone management tasks covered under a separate contract. Salem's community development director reports that this submittal is reviewed by the city and amended as needed.

SEDCOR is also 40% funded by private business membership to support its marketing and business support services. SEDCOR is the first contact for applicants to the enterprise zone, and the executive director spends up to a quarter of his time administering the zone and assisting applicants through the process.

SEDCOR's executive director characterized it as a true public-private partnership with a close relationship among public and private actors. The board of directors consists of forty members, two of whom are local government employees and three of whom are local elected officials. Government representation on the board is stipulated by the contract under which SEDCOR provides services to the City of Salem.

Its advocacy role is limited, with SEDCOR staff responding to requests from clients to speak on behalf of policies and issues that may arise. The executive director of SEDCOR is vocally supportive of Salem's enterprise zone, particularly as the zone's renewal application is due in 2009.

LANE METRO PARTNERSHIP

The cities of Eugene and Springfield share an LDO, the Lane Metro Partnership. The Partnership was founded in 1985 out of a joint effort on the part of the cities of Eugene, Springfield and Lane County. .

The Partnership is not the enterprise manager for Eugene or Springfield. Its role is facilitation and marketing for both new business recruitment and existing business retention. Its focus is firms in the traded sector. It deals with enterprise zone applicants only in so far as that is a major incentive for moving to or

expanding in Eugene-Springfield and therefore a local benefit the Partnership promotes. If an applicant would like assistance with the enterprise zone process, the Partnership will provide it without fee.

Interview respondents indicate that the relationship between each city and the Partnership is loose. Their work overlaps and complements each other to some degree, and they may refer businesses or questions to one another, but as far and administering the enterprise zone there is little mutual reliance. LMP does enter into discussions with potential applicants and offers a third party consultation with all three interview subjects considered useful to some extent.

The Partnership's Operating Board is composed of primarily elected officials of the highest local level, such as mayors and county commissioners. Presidents of local chambers of commerce and higher education presidents also participate. The organization's executive director is a former elected official (as have been both of the previous two) and enjoys a high stature in the community. Local public managers on the board are top-level administrators or managers. There is three staff. Over half the organizations funding is through general contracts for services with Eugene, Springfield and Lane County, with the remainder from private donations.

BENTON-CORVALLIS CHAMBER COALITION

The Benton-Corvallis Chamber Coalition (CBCC) is the most recently formed of the four LDOs studied. In 2006 the Corvallis Area Chamber of Commerce and the Corvallis-Benton Economic Development Partnership merged in order to

broaden the reach of regional economic development activities. A secondary impetus for its formation was to achieve efficiencies and overhead cost reductions. The Economic Development Partnership had been the regional economic development group focusing on business recruitment and traded-sector industries, but the CBCC board member interviewed reported that due to the small population and geographic base of the area they were serving, the organization was starved for personnel and financing through resource competition with the Chamber of Commerce.

A public process to identify strategies to strengthen Corvallis', and by extension, Benton County's economy called "Prosperity That Fits" under-girded the merger. CBCC's economic development director stated that over a dozen organizations were in one way or another involved in economic development at the time the public process was undertaken, and an agreement to merge many of them under the CBCC umbrella was reached following the notion that a unified regional organization would be more effective.

The CBCC's economic director is the zone manager for Corvallis and this work is detailed under a discrete contract between the City and CBCC. The City of Corvallis also contributes funds to the CBCC through allocation of a portion of the room tax revenue, though these funds are kept separately from private member's dues from the Chamber side of the organization. The enterprise zone management role is in addition to the marketing, information and business support role the CBCC plays.

The economic director is the primary contact for enterprise zone applicants. Since the zone is less than a year old, there is no history of how applicants interact with the CBCC versus the City of Corvallis. There is currently one applicant pending on which the CBCC is taking the lead.

The economic director is also an advocate for policies to benefit economic development and played a key role in assisting in establishment of the enterprise zone. City staff stated “it was his baby”, though the CBCC director also reported the mayor played a prominent role in political spearheading. The city government has no single staff member identified as a contact or representative to the CBCC. Internal conversations about the enterprise zone occur between public works officials and the city manager’s office without the CBCC director in attendance. No city staffers sit on the CBCC board, though two of the eighteen identified board members are elected officials designated as “liaisons”. The full board has yet to meet.

Organization Formation

The timing of the formation for three of the four LDOs, which is following the economic downturn in the early-1980’s, is also in keeping with the context of the diminution of federal support to cities. All of the interviewees identified a mutually recognized need for joint action and the ability to provide a regional “one-stop shop” to businesses as at least a major contributor to LDO formation. Subjects from Medford and Eugene mentioned the lagging timber economy at that time as well.

The cities did vary, however, in which parties provided key impetus for establishing the LDO. In Eugene and Springfield, subjects described the effort as “joint” between local governments and business. SEDCOR in Salem was primarily initiated by the Chamber of Commerce, SOREDI in Medford by both local governments and local utilities, and the CBCC in Corvallis was primarily business but partly supported by a public planning process.

At the time of the Lane Metro Partnership’s founding, both Eugene and Springfield had city staff whose function was economic development, including business assistance, administering loan programs, and the like. Salem also employed an economic development director at the time its LDO was formed, who then went to work as the first executive director for SOREDI. Medford’s first economic development officer was hired in 2000, and Corvallis addresses local economic development activities through a combination of staff.

Local Development Organization Capacity

The four LDOs studied are similar in terms of staff size with the number of full-time staff ranging between three and six. The variations appear to be commensurate with each organization’s scope of mission.

The largest organization is SOREDI in Medford. Serving a region with a population of approximately a quarter of a million people, and undertaking the widest range of economic development activities of the four LDOs, their staff is approximately six full-time equivalents. Salem’s and Eugene-Springfield’s LDOs

have similar capacity, though the Lane Metro Partnership's three staff is two fewer than SEDCOR's and they are less active in generalized business assistance.

Smallest is the CBCC in Corvallis, which has approximately two and a half full-time equivalents. This is the youngest organization serving the most lightly populated region of the four. The contract for administering the enterprise zone is estimated at \$2000 annually, and the economic director is actively involved currently in wide range of tasks from high-level organizational planning to brochure design.

City –LDO Relationship

Perceptions of Closeness

The five local government managers work in collaborations across the public-private boundary to achieve economic development goals, though to differing degrees. Given the number of functions LDOs fulfill in complementing or amplifying the economic development efforts of municipalities, the level of cooperation between city staff and the LDO is a key feature of staffers' tendency to work outside bureaucratic confines. Since LDOs perform multiple roles in local and regional development including working with enterprise zone applicants and utilizing government participation in board leadership, the opportunity-seeking government manager will by necessity interact with the LDO.

Excepting Eugene-Springfield, where the level of mutuality between city staff and LDO staff was not cited as particularly important, all of the interview subjects identified their relationships as either close or very close to exploring opportunities

for economic development. When asked about the degree of agreement and overlap between public and private players on matters of goal- and priority-setting, all subjects characterized it as high. Conflicts were limited to issues of process or practicality attributed to the incompatible nature of private for-profit pursuits versus government functioning. In Eugene and Corvallis, mention was made by both public and private interviewees that the citizenry as a whole was divided about whether enterprise zones were a worthwhile policy for local government, and thus there was some hesitation for interviewees to say that any public-private tensions were purely procedural.

In Medford, the LDO director likened the relationship between LDO and city staff to “two peas in a pod”, and the city staffer called relationships between the government and LDO participants “tight-knit”. SOREDI is the zone manager for Medford, but this was of little concern for the city staffer so long as both parties cooperated in implementing the policy and solving problems that might arise.

The city’s economic development director is a member of the LDO board and interacts with the SOREDI director on following enterprise zone applicant leads and information exchange about fully utilizing the zone. Medford’s staffer, however, did have a sense of ownership for leads that would expand or establish a business in the city’s enterprise zone as opposed to the other for which SOREDI acts as manager. He stated that business locating in his city is highest priority, followed by locating in the neighboring counties, then southern Oregon, and finally Oregon. He emphasized the global competition for industry. Medford’s staffer indicated he is

active in exploiting opportunities afforded to him as part of the regional LDO and that his job is “all about relationships”.

The interviewees in Salem expressed less closeness, but the city’s director of urban development characterized public and private LDO participants as “members of the same team”. When asked about whether he is able to innovate be creative in exploring new means to improve job growth in Salem, the city staffer replied that time in which to do that was the largest constraint, but that the presence of SEDCOR does offer opportunities to build relationships. He also mentioned his ongoing work to clarify and refine the work agreements between his office and SEDCOR to enable him to focus on economic development activities the city does well. He explained that the city has realized it can do infrastructure planning more effectively on its own than in coordination with SEDCOR.

Salem’s staffer also pointed out that it is the goal of every employee in the department to be as innovative as possible within constraints, and that government economic policy implementation does take place outside of activities associated with SEDCOR to a higher degree today than in the past.

Eugene and Springfield were the two cities with the lowest apparent reliance on, and interaction with, the LDO. Eugene’s enterprise zone manager is an employee of the community development department and handles the majority of administrative tasks related to the zone. The LDO for Eugene, the Lane Metro Partnership, is primarily involved with business information and marketing, though it does offer guidance and a point of contact for businesses that prefer working with a non-governmental entity during the enterprise zone application process. Both

Eugene's staffer and the Lane Metro Partnership's director identified the capacity to have confidential, private dealings with an applicant as a benefit of having an LDO, though for most cases the city staffer is the main contact for Eugene's enterprise zone applicants.

As is Eugene, Springfield's economic development administrator is the enterprise zone manager, and reliance on LMP's capacity as assistant to zone applicants is also modest. Springfield's staffer is the only interview subject who was working in a similar capacity when the state enterprise zone legislation was created in 1985. His interview answers expressed full empowerment to deal in any way appropriate with zone applicants and implied that while the LMP was a useful resource, only in the infrequent case that an applicant wanted to deal with a non-governmental agency would he not be involved initially.

It should be noted that while interaction between public actors and private participants within the framework of an LDO is one measure of non-bureaucratic functioning, where the city relies less on the LDO, boundary-jumping practices by the public manager are of course still possible. The zone managers in Eugene and Springfield described substantial independent activity in working with applicants, though to what extent this departs from the traditional functional duties of an economic development manager were not explored in this study.

The board member of the Metro Partnership interviewed for the study expressed pride in the organization's ability to serve both jurisdictions and act as a neutral third party to businesses. He did state a desire for staffers in the cities to better understand

the mechanics of site selection from a business applicant's perspective. Also implied was frustration that staffers sometimes did not respond in a timely manner.

The local government role in enterprise zone administration is less well-formed in Corvallis than the other four cities. The city staff interview subject was the public works director who has been a key staffer for administration of the enterprise zone because the zone is focused on (though does not exclusively contain) city-owned land adjacent to the airport for which public works has responsibility. At least two other city employees are directly involved as well – the city manager and the community development director. Since the economic director of the CBCC is the zone manager and is only now dealing with the first applicant, there is no history of relationship-building or coordinated action for implementation of the enterprise zone.

Corvallis contracts with CBCC to manage the zone, but the contract is simple and minimally funded. City staff indicated that it will be competitively offered at the end of its current term. The public works director indicated that it was conceivable that the city would take enterprise zone management in-house in the event the Chamber Coalition or another organization did not request a contract for zone management. The LDO director did mention that from his perspective it would be beneficial to have closer CBCC – city ties, for example CBCC representation at staff meetings regarding policy and implementation.

Functional Partnerships

During the course of the interviews subjects used the words “team”, “collaboration”, and “partnership” to describe the relationships they’ve constructed in

pursuit of economic development. There was no indication that interview subjects attempted to distinguish between these terms but simply sought to express the idea of different parties working together to achieve the same goals.

The mechanics of the various cities' arrangements with LDO's, particularly with regard to management of enterprise zones, reflects actual differences in the degree to which cities and LDOs work together that are not captured by the use of these terms. While participants in regional non-profits may perceive themselves as working in collaboration or partnership with each other, there is an observable variation in levels of closeness among the subject jurisdictions.

Boards of Directors

One indication of closeness is local government representation on the LDO's board of directors and the activity of the board. All of the organizations do have public official representation, but there are differences in which public positions are represented and what kind of board guides the LDO.

In Medford, for example, the board consists of twenty-one members, six of whom are public officials. This includes three elected officials from the region, and three economic development managers from neighboring local governments. The economic development director for the City of Medford sits on the board. The board meets monthly and has active subcommittees.

The board of directors for SEDCOR in Salem is over forty members. There is an executive committee of seven members, one of whom is the city manager for Salem. Of the remaining thirty-six members, two are mayors and two are county com-

missioners. No economic development staff from any local government sits on the board. The executive committee meets monthly, while the full board meets quarterly.

Corvallis' CBCC consists of seventeen members, two of whom are local elected officials. This board has not yet met, but the intent is that they will convene annually. Lane Metro Partnership's board has twenty-eight members, six of whom are local elected officials and four of whom are city or county administrators. LMP's board meets quarterly with attendance by public representatives depending on issues before the board. No economic development managers participate in either CBCC's or LMP's board.

Both SOREDI's and LMP's board have higher percentages of public representation than either SEDCOR or the CBCC, but SOREDI's public manager involvement includes the economic development director as opposed to the city manager for Medford. In Salem, Eugene and Springfield, the highest-level public managers are involved and in Corvallis, no public managers are involved.

Salem and Eugene-Springfield are of comparable regional population both have the largest boards, followed by Medford and Corvallis. There is no apparent relation, however, to size of region or LDO and level of public manager participation on the board. These differences may better reflect public-private "closeness" than organization size.

Inter-agency agreements

A perhaps more direct indication of closeness is the agreement under which the LDO executes its enterprise zone-related activities. The presence or absence of a

written contract, for example, may exemplify levels of trust, communication and expectation between two parties. How an agreement between parties is arrived at may also signal whether active participants in a partnership are the same actors who execute formalities.

Beginning again with Medford, there is no separate contract or agreement between the City of Medford and SOREDI to administer the enterprise zone. SOREDI's director is the zone manager and is thusly responsible for completing application materials and submission requirements to the county assessor and the state, but there is no formal description of how SOREDI will market the zone or assist applicants.

In Salem, SEDCOR does work under a contract from the city, and aspects of enterprise zone management are called out specifically. This contract is annually renewed and is continually refined for clarity. SEDCOR gives the city a submittal each year in which its economic development activities on behalf of Salem are proposed, and city staff work with SEDCOR to amend the submittal to mutual satisfaction.

CBCC works under contract from the City of Corvallis, but as indicated above, this is nascent. The contract simply stipulates the CBCC will act as zone manager, facilitate committee meetings to review zone performance, report annually on the zone, provide a web site on which zone information can be obtained, and utilize the zone as a marketing tool.

	LDO Founded	Zone Founded	Zone Manager	LDO Function	Applicant Dealings	Board Representation
Medford	1987	1997	SOREDI	multiple, incl. planning services	1st contact shared city - LDO	econ. development staffer
Salem	1983	1988	SEDCOR	marketing, business info./support	1st contact shared city - LDO	city manager
Eugene	1985	1987, 2005	city	marketing, business info./support	city often 1st contact, LDO assist	mayor, city manager
Springfield	1985	1989	city	marketing, business info./support	city often 1st contact, LDO assist	mayor, city manager
Corvallis	2006	2008	CBCC	marketing, business assistance	one applicant so far, LDO lead	city councilor
	Board Meeting Frequency	Emergence of LDO	EZ separate contract	Government agreement	City funding of LDO	
Medford	monthly	government, utility initiated	no	general services agreement	annual general payment	
Salem	quarterly	Chamber initiated	yes	general services agreement	annual general payment	
Eugene	quarterly	government initiated	no	general services agreement	annual general payment	
Springfield	quarterly	government initiated	no	general services agreement	annual general payment	
Corvallis	not yet regular - intent is annual	Chamber, Development groups,	yes	multiple service contracts, annual	EZ contract payment, room tax	

Table 5.1 Characteristics of Local Development Organizations

Zone Management Operations

While the state statutes are silent on what constitutes proper management of an enterprise zone, over the course of the interviews a picture emerged of what minimum

level of involvement is required. In fact, once a locality adopts a zone there is only a relatively constrained arena in which management can take place.

This seems to be primarily due to the state-local structure of the program. Because the state provides a near-complete framework for the “what”, “when”, “how” and “why” of enterprise zones, localities’ discretion is limited to the “where” and a finite set of customizable criteria for level of tax exemption. Once these parameters are in place, the daily implementation is largely a matter of completing forms and filing.

Typical steps include:

- 1) A business applicant contacts the zone manager
- 2) The applicant and manager review the business’ plans and eligibility for exemption
- 3) Requisite forms are completed and filed with the zone sponsor jurisdiction, county assessor, and the state office of economic development
- 4) Once the business has fulfilled its plan, by establishing operations or by expanding a minimum amount, the county issues the property tax exemption on applicable land and capital
- 5) The zone manager follows up for three to five years to confirm ongoing eligibility and conformance with any local benefit criteria

There is, however, an important realm of interaction with business applicants that falls outside these routine administrative steps. Before becoming an applicant, a business must first learn about the existence of the enterprise zone, become familiar with its components, determine whether the incentive fits with their plan, and place the zone program in the wider context of local attributes that make a given city attractive. The importance of these steps and the effectiveness with

which a local representative can execute them was mentioned by every interview subject.

This category of operation might be characterized as marketing or business relations and is made up of tasks that could be fulfilled by the zone manager, by a locality's business recruitment agency, or both. Since in Medford, Salem, and Corvallis the enterprise zone manager is the a staff member of the local development organization, this was cited by those participants as an advantage to communicating the aspects of the enterprise zone to potential applicants in a comprehensive and streamlined way.

The zone managers in each Eugene and Springfield confirmed that their inability to speak with full confidentiality and candor to private interests could be a limitation though was not considered a major handicap. Participants recognized that in order to determine eligibility and explore other potential sources of assistance from a city's economic development office, confidential business plans and operations may need to be revealed. The advantage to a business in dealing with a non-governmental agency was noted by Medford's economic development officer and Salem's LDO executive as well.

The Lane Metro Partnership's director and board member both stated that the Partnership's role as neutral party, locus of information and ability to maintain privacy was a matter of pride and importance. They both further commented that because their interest was in business development for the region, it did not matter whether an applicant located in Eugene or Springfield, as long as they located in the region.

This point was echoed by both the city staffer and LDO director in Medford as well. While the city's economic development manager was an active participant and sometimes first contact with applicants, the presence of SOREDI as a non-public broker was cited as an advantage. Furthermore, if Medford could not be the site for a new or expanding business, it still offered satisfaction for the manager if it occurred in Jackson County or Oregon, as economic development was a regional pursuit.

One interview question asked subjects what arrangement other than a city-LDO partnership might be possible or advantageous to enterprise zone management or local economic development efforts. All stated that if the LDO didn't exist a similar organization would have to be created. The utility of LDOs for previously-mentioned reasons – central information source, third-party status, regional approach – was mentioned by all respondents and all agreed that the advantages of such an organization warranted its existence. Subjects in Corvallis and Eugene did see potential for improvement in existing city-LDO relations, however, specifically with regard to the LDO's ability to participate in policy discussions as a recognized, fully-engaged partner to city policy-makers.

In Corvallis the LDO director wishes for more extensive linkages between the CBCC and the city in policy-making and implementation. Since the board is not yet fully-functioning, this may yet come about, but both city and LDO interviewees expressed need for further coordination and development of an office that could handle business inquiries.

Eugene's city staffer noted that he has had feedback from businesses that they would prefer not to work with city government because of perceptions of anti-growth attitude from city government. He stated that at least one business has even foregone tax abatement under the enterprise zone program because of reticence in dealing with the city. This staffer imagined that if the Lane Metro Partnership were more invested with integral tools for regional development an advantage could be realized both in dealing with businesses and working with elected leaders who might otherwise be unpersuaded by staff members' presentations on matters of local economic development policy.

Participant Job Satisfaction

The final question in each interview asked subjects to identify what gives them satisfaction in their role as participant in local economic development. The purpose of this open-ended question was to determine if participants showed variation in their overall values and perceptions.

Responses to this question across subjects were strikingly uniform. Every single participant identified job creation as a key source of satisfaction. Most further commented on the benefits that accrue to citizens, either directly or indirectly, from job creation and industry growth, such as financial ability of workers to feed families and health insurance plans associated with employment.

Medford's economic development staffer mentioned "putting food on the table", Eugene's talked about "increasing wages is the key to improving the quality

of life”, and Salem’s LDO board member said that economic development helps make the community a “great place to live, work and play”.

A few responses focused on satisfaction from fulfilling the administrative goals of their pursuit. Salem’s LDO director said that creating jobs is the point of enterprise zone legislation, and that was satisfying to meet. Corvallis’ public works director stated that “maintaining a reasonable industrial base” met his goals and gave him satisfaction. SOREDI’s board member said that being a part of an organization that “makes the region better” satisfies him.

To some degree all expressed pride and interest in both big-picture community improvement and making chances for personal growth among citizens through job creation. Respondents seemed earnest and passionate that their roles were instrumental in promoting the public good.

CHAPTER VI

DISCUSSION

This chapter discusses the findings in the context of the academic literature and the intentionality of zone management implementation. Following the themes in Chapter II, findings will be analyzed according to agency-centered analysis, partnerships, contextual analysis, and studies of LDOs. The theory of transaction costs will also be applied. Finally, the intentionality of enterprise zone management will be analyzed.

Of the approaches used in the literature to explain partnerships, Brinkerhoff's notion of the two-dimensional scale of mutuality and organizational identity is most useful here. Agency-centered analysis and contextual analysis provide little explanatory power for the cases in this study, though the transaction costs approach as a complement to contextual analysis does pertain to at least one partnership in this study.

Substantial functional differences between partnerships emerged in the findings and the following discussion characterizes those differences and speculates on how they might affect the implementation of enterprise zones. No conclusions can be drawn about a partnership's characteristics and the performance of a zone on the basis of information in this study, but the functional and political factors which influence partnership characteristics appear to be ones that, if recognized, can be compensated for in improving implementation of enterprise zones.

Research Results in the Context of the Literature

Agency-centered analysis

The thrust of agency-centered analysis in the context of local economic development has been the kinds of activities undertaken by public managers in pursuit of public goals for job growth and business development. One focus of this analysis has a dichotomy between the manager as government functionary on the one hand, and as innovative coordinator on the other. This study does little to highlight such a dichotomy, and insofar as activity of public agents in management of enterprise zones occurs in the context of relationships with business applicants and LDOs neither “bureaucratic” nor “inventive” would describe their activity. The evidence from enterprise zone management in cities in Oregon points to the more mundane, responsible arena of government employees serving the public through promotion of private aims.

As a measure of non-bureaucratic functioning, the involvement of managers in this study in the operations of LDOs and their participants displays a range of involvement. Medford’s manager appears to be both active at the decision-making level of the board of directors and in the realm of interpersonal relationships with staff of the LDO. At the opposite end of the range, Eugene’s manager appears largely uninvolved with the LDO and even considered outside the normal function of the LDO. Interview responses indicate that the bulk of activity among city staff subjects strikes a balance between the need to represent the jurisdiction in dealings

with the LDO, a drive to fulfill economic development goals laid out by both the city and LDO, or a combination thereof.

Evidence from Salem, for example, points to the community development director withdrawing from interdependence on the LDO in the area of infrastructure planning to facilitate economic development, yet ongoing recognition that the LDO plays other important roles and ongoing refinement and clarification of each party's duties is critical. He was also clear that while SEDCOR takes the lead on enterprise zone administration, when it comes to the more political decision for the locally optional two-year tax exemption extension, the city staff's evaluation is the sole determinant.

In Corvallis managers appreciate both the commitment and potential of the Chamber Coalition, yet continue to reserve judgment on what degree of participation with the CBCC best serves public goals. City staff's own internal hierarchy and lack of identified economic development officer, at least for purposes of the enterprise zone, further complicates evaluation of manager agency.

It should be pointed out that the policy framework of enterprise zone administration is likely an inadequate one in which to reveal agency dynamics. Because state statutes are fairly prescriptive and leave only a limited level of discretion to the localities, and because at some point applicants are either eligible for exemptions or not, public managers' potential for innovation might be better observed in the sum of their relationships with LDOs, private interests and their supervisors rather than just LDOs themselves.

This study further reveals a distinction between those upper-level managers that operate as board members of a collaborative effort (the LDOs) and those managers whose role is more directly involved in policy implementation. Agency-centered analysis has not recognized the significance of *which* agents and *which* set of activities are at questions at the finer-grained level of program administration. The public managers at issue here, city economic development staffers, may have the potential to play a more coordinating role like the staffer in Medford, but if one considers the LDO the arena in which relationship-building and innovation occur, agency-centered analysis is overly-broad in its identification of public managers as a class.

It should be noted that given the small number of cases in this study and the varying level of experience of the participants, no consistent relationship between the job title of the city staffer and their effect on the city-LDO relationship can be established. Other considerations, such as the manager's work style, level of empowerment by superiors, or familiarity with local players could be factors in the extent of direct linkages both with the LDO and business applicants.

Partnerships

Evidence from this study shows that enterprise zone management in the subject cities depends on a two-party partnership – the city and the local development organization. The characterization of each party may include some variation depending on one's viewpoint, but the partnership model easily suffices to capture the relevant dynamics. Theories from the literature on collaboration and

networks are less applicable, and though LDOs consist of multiple stakeholders, the need to incorporate factors such as diversity, which are more common in the network and collaboration literature, are not required to explain partnership dynamics.

In identifying three parties to interview, this study's design intended to capture a potential range of stakeholder interest, roughly corresponding to "government", "private", and "agent" (the enterprise zone manager). What emerged was less a multi-party effort than coordination between the city, which in every case is the sponsor of the enterprise zone, and the LDO, which generally acts as the neutral contact to an applicant business.

While there may be validity in the identification of the three or more participant roles in local economic development activity, such as elected officials as policy adopters, private interests as policy champions, non-profit board members as engines of implementation, etc., no more than two parties are needed to fully capture enterprise zone activity. A diversity of opinion and interest, as represented by the various members of an LDO board of directors, for example, cannot be expressed through the execution of enterprise zones. Even in the more fluid arena of marketing and applicant interpersonal relations, where affinity and trust between localities and business applicants are built, the diversity of the LDO is embodied by one individual.

Brinkerhoff's conception of partnerships as a combination of mutuality and organizational identity fits well with the results of this study. With regard to mutuality, it is important to recognize that the concept includes not just equal

sharing and commitment to the same goal, but also mutual restraint and respect of each organization's mission and particular strengths. Interdependence is balanced with symmetric recognition of each partner's role and capabilities.

For applying this concept to enterprise zone management, two questions could be posed – “Does each partner depend on the other to play a role in recruiting, guiding and securing tax exemptions for business applicants through the enterprise zone process?”, and “Does each partner recognize the other organization's objectives and capacities as unique in the partnership?”

Organizational identity means the maintenance of those values which are core to the organization as well as continuing recognition of those capacities which stem from values and capacities particular to the organization. These capacities may be related to the structure of the organization itself, such as the ability of a consensus-driven nonprofit to represent multiple stakeholders, or from its role, history or position in a community.

In assessing how this dimension applies to city-LDO partnerships engaged in enterprise zone administration, we can ask “Does each organization have an enduring set of values and capacities which, when combined with the partner, enable firms to learn about and take advantage of the enterprise zone?”

Figure 6.1 depicts the combination of these two dimensions when applied to each of the four city-LDO partnerships. The aim is to show only relative positioning and not scale. The dimensions of mutuality and organizational identity are applied to each partnership, not each partner. Therefore subtle differences in partner's relative values are not expressed. The figure illustrates the effect of

analyzing partnerships according to Brinkerhoff's framework in order to more concretely highlight differences discovered among subjects in this study.

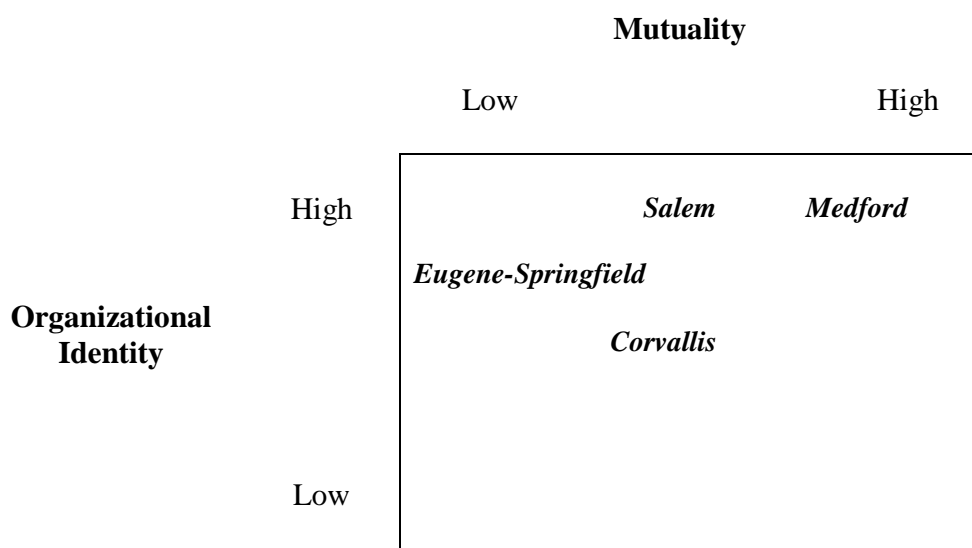


Figure 6.1 Enterprise Zone Partnerships, (adapted from *Brinkerhoff*, 2002)

Medford's city-LDO partnership is located in the upper right, reflecting its city-LDO interdependence, mutual recognition of each partner's role, strong sense of pride in interviewee's own organization expressed by each party, and the indicated high level of mutual commitment to economic development goals. Salem's position reflects subject's expression of slightly lower levels of interdependence, which reduces the degree of mutuality. Organization identity as exemplified by the city staffer's responses about recognizing the city's ability to plan infrastructure, and SEDCOR's director's description of the LDO's role and history, is high.

Corvallis is placed in lower in both dimensions. This partnership is new and has yet to establish either significant levels of mutuality or organizational identity. Organizational identity does not appear particularly high, as values of each organization relative to the enterprise zone are not well-articulated. The city administration seems approving of the enterprise zone, but does not reflect “pride of ownership”. The CBCC director is cognizant of his organization’s potential, but lack discrete capacity at this point which would raise the level of organization identity. Mutuality is low based on the lack of evidence of interdependence and uncertainty about how to share capacity to promote the zone.

Eugene and Springfield are classed together as both reflect relatively high organizational identity and low mutuality with the Lane Metro Partnership. Each city is a discrete entity which has an agreement with LMP to provide certain services which are to each partner’s advantage, but do not imply a large degree of shared interaction or integration. The LMP is engaged with each city to provide guidance at the board level, but there is no evidence that an explicit understanding of each party’s contribution to the partnership has been reached (or is desired). Organizational identity is relatively high for each partner, as the values and capacities of each is noted by all three of the interviewees.

While Eugene and Springfield occupy the same location in the grid, they seem to do so for politically different reasons. While not the focus of this study, interviewee answers seemed to indicate that Eugene was not a close partner in regional development because elected leaders did not have widely shared interest in

a commitment to joint regional efforts at business recruitment and expansion. It is simply not a local priority in the same way it is in Medford, for example.

In Springfield it is a priority, but local officials, including the economic development staffer, fulfill that goal not by more fully engaging in the regional LDO, but by more energetically pursuing an independent course. For each city the LDO serves an important and valued role, but the distinct organizational identities of Eugene and Springfield prevent a partnership high in mutuality.

Brinkerhoff's use of mutuality and organizational identity as key factors also seems to capture change over time as cities and LDOs shift in their roles and responsibilities. Information from this study seems to indicate that constant negotiation takes place between the cities and LDOs and that the partnerships do not remain static for any length of time. Interview responses indicate that in Salem, for example, the relationship might have been more mutual several years ago when the city relied on SEDCOR more heavily than today for industrial location planning, or that Medford might have been less close prior to the year 2000 when the city lacked a dedicated economic development staffer to act as close representative to the LDO.

Contextual Analysis

These shifting relationships also reflect to some degree the wider context of economic development policy, but less so than contextual analysis in the literature might indicate. This analysis has emphasized national and regional economic trends, such as here the decline of the timber industry which helped prompt regions

to form LDOs in the first place. And the cities in this study do conform to the narrative of LDO formation found across the country as stemming from lack of federal support and increasing recognition of the advantages of cooperation among localities. But while context is helpful in studying the formation of LDOs and perhaps their original intent, after twenty years they have in a sense created their own context and reason for being which was consistently expressed by subjects during this study.

The regional approach to economic development was universally praised by subjects in all five cities and was typically expressed when subjects were asked about their organization's history of participation in the LDO. Often cited was the ability of business applicants to have a central source of information and guidance while evaluating the region for investment location. This was valued particularly in Medford and Salem, but also clearly seen as a benefit in the other cities.

In addition to this practical efficiency, subjects spoke of the LDOs role as "face" or "front door" of a region as key to attracting and retaining business. One subject even called the LDO the "front man". This embodiment of the regional economic character in the LDO appears to be a development of the LDO's maturation over time and increasing role as definer of what economic development means for a given locale. Though only subtly expressed by participants, this need to characterize each region's economic personality is in some way the new context in which the city-LDO partnership operates.

This does not imply that broad economic trends no longer impact regions, or that participants are less sensitive to statewide or national conditions. Rather, based

on comments from participants in this study, each region and the LDO which is the shorthand identity of the region's economy, continually defines for itself the context in which it operates.

In Medford, the closely shared goals and values of the city and SOREDI and high-level of activity of their enterprise zone are both the result of their relationship but also the cause. The community of Medford holds job growth as a prime goal and it is this reason they are seeing some success. But participants also implied that SOREDI is simply the result of that prioritization and their partnership work meets the local need. The context of their pursuit is therefore less the general need to perform in the national context of industrial development competition, but to follow the local trajectory.

This is true also where the local trajectory is less singular. In Eugene participants pointed to the lack of emphasis on economic development and by implication the more fragmented approach among LDO partners. While certainly interviewees were very cognizant of the current low industrial demand and impact on local manufacturers, their work as regional partners in implementing enterprise zones is more directly characterized not by a sense of responding to broader conditions but to working in the local milieu of loose ties and modest interdependence.

It should be noted that this milieu is largely a political one, shaped perhaps by a long tradition of inter-city competition for employers and a general sense of bickering neighbors between the political leadership of each city. The LMP is politicized as well, by the make-up of its board and its history of hiring former

elected leaders as executive director. These political factors may impede higher levels of mutuality among partners, both because the two cities may be at odds in the partnership and because the LDO may not have the wherewithal to overcome these barriers.

Transaction Costs

These barriers can be placed in the literature's discussion of the transaction cost approach to analyzing local economic development practice. The costs of sharing information, unifying interests among the parties, and dividing the gains in the Lane Metro region may simply be too great to allow for more coordinated efforts. When costs are high and benefits are low, joint action is less likely.

The LDO cannot efficiently reduce transaction costs to each Eugene and Springfield at the same time because their internal costs in terms of staff time and resources would go up, and in any case each jurisdiction does not appear willing to incur higher costs in order to more effectively implement its own enterprise zone if it means strengthening the LDO which may not lead to direct benefits for either particular city. Other LDOs in the study serve more than one enterprise zone, but not more than one urban enterprise zone each sponsored by cities traditionally viewed as competitors.

The transaction cost lens focuses equally well on the other cities in this study. In Corvallis the costs and benefits are still being weighed. The transaction costs of communication appear high due the city's lack of centralized economic representative, and gains for joint action are perhaps remote due the enterprise

zone's novelty and early shortage of interest. The contract for services between the city and the Chamber Coalition remains minimal as these factors are weighed.

In Medford and Salem communication seemed open, and in Medford the apparent direct communication between the economic development director and SOREDI staff minimizes information costs. The benefits are tangible and substantial in Medford as well. Salem's enterprise zone has been in existence over twenty years, so benefits are likewise recognized among the parties. Salem's staffer did indicate that certain aspects of economic development planning such as infrastructure investment are being taken over by the city. This may reflect a re-balancing of the costs of internal city development activities with more localized benefits.

A point of emphasis in the literature on transaction cost analysis of local government cooperation for economic development is recognition of shared benefits. As mentioned previously, many interviewees identified the region as the most logical unit of development activity because economic benefits are shared regionally, and this is consistent with economic analysis of the impacts of an increase in traded-sector employment. One conclusion from this study is that an acknowledgement of the economic shared benefits of cooperative efforts is not sufficient to overcome minor administrative and communication barriers.

The Prominence of Local Development Organizations

The literature points out that LDO's form where shared gains are to be had by minimizing these barriers, but that their formation raises questions of governance

and participant roles. This study strengthens claims that LDOs emerged at an increasing rate from the late 1970's into the end of the twentieth century and that many are non-profits comprised of public and private partners. That there is no one right way to compose such organizations is evidenced even from this small sampling of Oregon local development organizations.

The four LDOs in this study provide insight into the effects subtle governance differences may have on partner relations. Medford's governance is unique of the four in that the city's economic development director sits on the board and maintains a close relationship with the LDO staff. No other city official from Medford participates at the board level. This in combination with frequent board meetings and subcommittee meetings appears to strengthen relationships and provide for responsive problem-solving.

The boards of directors for the other cities seem to be higher-level decision makers with limited involvement. They pass budgets, review staff, etc., but do not seem to be knowledgeable or involved in the implementation of programs and policy. This is of course not a limitation in itself, but speaks to the potential for closeness in developing implementation schemes that maximize benefits.

The board room may be one arena where the transaction costs of communication are apparent. While this study supports the idea that the formation of LDOs serves to reduce intergovernmental and public-private transaction costs for development programs, the structure of the LDO itself has a bearing on those costs. Board dynamics and perceptions among interviewees support this.

As previously described, a study of implementation of enterprise zones must occur in the context of local development organizations and their relationships to cities. That the LDOs are an inescapable reality in this study supports the notion that local and regional economic development hardly exist in their absence. This begins to address the question of how intentional the implementation structure of enterprise zones is for the subject cities.

The Intentionality of Enterprise Zone Management

The examination of local government documents reveals no deliberation about the management structure of policy implementation among elected officials. This would imply they were either uninformed or unconcerned. The latter case is more likely, as city government relationships with LDO had been well established in each jurisdiction prior to enterprise zone adoption. It was likely taken for granted that for those cities where the LDO was the proposed zone manager that was the appropriate organization to assume those duties, just as in Eugene and Springfield where the proposal that city development staff take on zone manager duties was met with no comment.

It is interesting to note that in the early years, when enterprise zones were more forcefully touted as a means to recruit businesses than retain existing ones, meeting minutes did not reflect official's interest in how the zone would be marketed or promoted. It could be town leaders were often excited to adopt a business incentive and hoped it would function as growth promotion by its mere existence. Interview respondents however emphasized that dealing with applicants

is a significant opportunity to distinguish one's jurisdiction, and that interaction is where local development professionals can make a difference.

Alternatively, it could be that conversations about the efficacy of the programs themselves was the most interesting issue for local leaders, as this topic does arise in several of the meeting minutes surveyed in this study. Policy implementation is perhaps less controversial and headline-grabbing than the policy rationale itself for a wide variety of public policy questions. Certainly the efficacy and justice of enterprise zones remains contentious in Eugene and Corvallis as reported by respondents. Since each city has a council – manager form of government, issues such as zone management and city representation to the LDO may typically escape review at the elected level.

Any intentionality was therefore expressed at the administrative level. This was implied but not confirmed by interview respondents, as none had direct recollection of ever having been involved in management structure decisions. It appears there is less to be gained by examining this aspect of zone management planning than by evaluating the roles and efficacy of the local development organization. Enterprise zone management is not complicated, but its importance to local governments makes its handling a good benchmark of how local partners interact to achieve shared goals.

Conclusion

Enterprise zones are a valued economic development tool among the five cities investigated. Every study participant feels that the presence of a zone in their

array of policy tools is at least important, and in many cases crucial, to the ongoing success of their regional efforts to promote job growth. How these zones are managed is not, however, a pressing issue at the political level.

What does emerge as a pressing issue, one that is answered implicitly by administrative decisions in support of the city-LDO relationship, is that relations with business applicants is that area of zone implementation where effective, seamless management is most important.

The partnership between the municipal government and the local development organization is the area of policy implementation where both public and private actors focus their energy. In order to attract and support businesses, participants in LDOs first aim to provide a centralized, responsive organization that facilitates information-sharing and presents a cohesive network of agencies all similarly interested in recruiting and retaining industry. Does the level of mutuality and organization identity bear on the provision of this network?

While this study did not measure performance of each of the city's enterprise zones, it is interesting to note that Medford's development officer claimed their zone is the most active in the state. Does that relate to the level of mutuality of that city's partnership? Since applicant relations are so crucial, one would additionally wonder if the lack of interdependence in Eugene and Springfield leads to fragmented communication between applicants, each city's manager, and the LDO. The few cases don't support a conclusion, but it may be that levels of mutuality and organizational identity constitute a ranking of the most applicant-friendly jurisdictions.

This ranking includes many historical and operations subtleties for each region that reflect functional differences in city-LDO arrangements such as board participation and funding sources, as well as broader contextual factors such as political competition.

Future studies might take a similar sample of partnerships and evaluate whether the administrative and functional differences in LDO governance discovered here have real bearing on local policy performance. A closer look at organizational histories of LDOs would make for an interesting contribution to the study of management change over time and also offer a useful perspective on what factors might influence local government participation levels in partnerships and regional non-profits.

The primary value of this analysis lies not in its conclusions about the operational contrasts between cities' economic development arrangements. For that to have meaning we would need to establish a normative or quantifiable valuation anchored in judgments about which kind of management is best. More illuminating to the student of public management is the prevalent supposition that the central implementation role of the LDO is appropriate, and that public manager involvement in LDO governance, regardless of its frequency or level of participation, could remain unexamined in light of the strong emphasis local governments place on job creation.

This study points to the dominance of LDOs in local economic policy implementation and the range of relationships possible, even in similar cities implementing virtually identical policies. LDO history, city capacity and local

politics all play a role in these differences. A more prosperous future may await the city that can partner with an LDO under terms defined by effective sharing and capacity-building rather than according to political constraints.

APPENDIX A

Interview Subjects

Medford

Economic Development Officer, Deputy City Manager, City of Medford

President, Board of Directors, Southern Oregon Regional Development Incorporated

Executive Director, Southern Oregon Regional Development Incorporated

Salem

Director, Community Development Department, City of Salem

President, Strategic Economic Development Corporation

Chair, Board of Directors, Strategic Economic Development Corporation

Eugene - Springfield

Senior Business Loan Analyst, City of Eugene

Executive Director, Lane Metro Partnership

Community Development Manager, City of Springfield

President, Board of Directors, Lane Metro Partnership

Corvallis

Director of Public Works, City of Corvallis

Economic Development Director, Corvallis-Benton Chamber Coalition

Member, Board of Directors, Corvallis-Benton Chamber Coalition

APPENDIX B

INTERVIEW GUIDE

1) The structure of zone management

What is your organization's role in the enterprise zone?

How did this role come about?

Did the organization have a key motivator/originator?

What are the other options for how zone management is arranged?

How would you describe the relationship between/among partners ("loose", "tight", "friendly", "respectful")?

2) The functioning of zone management

As a business goes through the enterprise zone process, who might they work with other than you/your organization?

Who do you interact with to achieve goals of the zone?

Do organization members advocate for economic development policies?

What part of your task is working with partners to solve unanticipated problems?

To what extent is marketing your primary goal?

Would you characterize your work as collaborative?

What are the advantages/disadvantages of the current arrangement?

What gives you satisfaction?

3) How management of the zone relates to other economic development activities of the organization.

How important is the enterprise zone to economic development in your area?

Do the sponsoring jurisdictions show consistent interest in the zone?

What is the source of your financial support?

APPENDIX C

PUBLIC DOCUMENT REFERENCES

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Council Minutes, April 3, 1997

“SORED I Report”, *REMI Northwest*, January 30, 2009

City of Salem

Council Minutes, November 2, 1987

City of Eugene

Council Minutes, September 8, 1986

Lane County Board of Commissioners Resolutions, April 6, 1999, July 9, 1997

Public Benefit Criteria, West Eugene Enterprise Zone, 2005

City of Springfield

Council Minutes, July 11, 1988

Council Minutes, September 12, 1988

Council Resolution, August 19, 1988

City Corvallis

“Prosperity That Fits”, October, 2006

Corvallis-Benton Economic Vitality Partnership

City Council Agenda and Minutes, March 10, 2008

City Council Agenda and Minutes, February 11, 2008

State of Oregon

“Statutory Tax Incentives in an Oregon Enterprise Zone”, July 2008

Oregon Economic and Community Development Department

“A Report on Economic Progress”, 1989

Oregon Economic Development Department

APPENDIX D

DEVELOPMENT ORGANIZATION WEBSITES

Southern Oregon Regional Economic Development Incorporated

<http://www.soredi.org/>

Strategic Economic Development Corporation

<http://www.sedcor.com/>

Lane Metro Partnership

<http://lanemetro.com/>

Corvallis-Benton Chamber Coalition

<http://www.cbchambercoalition.com/>

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